

1-1-1922

Pace Student, vol.7 no .2, January, 1922

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Recommended Citation

Pace & Pace, "Pace Student, vol.7 no .2, January, 1922" (1922). *The Pace Student*. 82.
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The PACE STUDENT

Vol. VII

New York, January, 1922

No. 2

Returns, Exemptions, and Tax Rates under the Revenue Law of 1921

By H. M. Stein of the Lecture Staff, Pace Institute, New York

THE Revenue Act of 1921 was signed by the President on November 23rd, and although the reduction of surtax rates for individuals and the abolition of the excess-profits tax affecting corporations do not become operative until January 1, 1922, there are a number of important changes that are effective for 1921.

The most important of these changes, so far as the majority of taxpayers are concerned, relates to the making of returns for 1921 and to the allowances for personal exemptions. Without a decrease in tax rates, a reduction in the tax liability is, nevertheless, arrived at through the increased personal exemptions.

It is perhaps desirable to summarize, briefly, the scope of income taxation. There are four major items to be considered: (1) gross income; (2) deductions; (3) net income; and (4) exemptions. The law defines each of these items.

Gross income includes wages, salaries, and compensation for services of every nature; interest, rents, dividends, profits from business, professions, and trades; and gain upon the sale of property—real or personal—including securities. In fact, statutory gross income includes gains, profits, and income, derived from any source whatever. Of course, certain items of income, by reason of constitutional limitations upon the power of Congress, are not a part of gross income. Such items are commonly referred to as exempt income and represent, for the most part, interest on the obligations of the states and municipalities, and wages or other compensation received by officers and employees of the states and municipalities.

Interest upon the pre-war debt of the United States is exempt by statute, and partial exemptions are given similarly to the Liberty Loans.

The deductions consist of expenses incurred in the conduct of a trade or business, or otherwise, in the effort to produce income; also rent, interest, taxes (*including* state income tax, but *excluding* Federal income tax), bad debts, depreciation, depletion, and losses. Losses are allowed as deductions if incurred in trade or business, or if arising through transactions entered into for profit, or through fire, storm, shipwreck, other casualty, or theft. In the case of a loss, any amount recovered by insurance or otherwise must be omitted from the allowable deduction. In addition to the foregoing, individual taxpayers are permitted to deduct the amount of contributions or gifts made either to the local or general government for public purposes, or to any corporation operated exclusively for religious, charitable, scientific, literary, or educational purposes; but the aggregate amount of such contributions, which is deductible, may not exceed 15 per cent. of the taxpayer's net income before this item is applied.

The statements regarding income and deductions are intended to present a broad, general outline, without attempting a consideration of the many technicalities or the highly specialized provisions affecting capital gain, net loss, or the effect of corporate reorganizations, etc. It should be borne in mind that a taxpayer must include in his income, not only money received, but other property which has a readily realizable money value; that if

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books are kept upon the accrual basis, accrued income must be reported whether or not received during the year, and that members of partnerships must include their share of partnership profits, even though such profits are not distributed but are retained in the business.

Net income is the difference between gross income and the deductions. This amount is subject to tax—normal and surtax. The normal tax applies against net income after deducting therefrom, (1) the personal exemptions as explained below; (2) the amount received as interest on Liberty Loans, where such interest is included in gross income because not entirely exempt to the holder under the Liberty-Loan Acts; and (3) dividends on stocks of domestic corporations. Liberty-Loan interest is always exempt from normal tax, and so, also, are dividends on the stock of domestic corporations, as such corporations are taxable upon the net income which is distributable in dividends. The surtax applies, at progressive rates, to net income in excess of \$5,000, without any deduction for items (1), (2), and (3) above (which items are called "credits" in the tax law).

Individual Tax Rates

The income of individuals is taxed on the two bases mentioned above at the following rates:

The first \$4,000 of net income, subject to normal tax—that is, net income in excess of the credits—is taxable at the rate of 4 per cent.; the remainder of the net income, if any, is taxable at the rate of 8 per cent.

In addition to the normal tax, the surtax is imposed upon the entire net income at varying rates. No surtax is imposed unless the net income exceeds \$5,000 (\$6,000 beginning January 1, 1922). The rates for 1921 are:

One per cent. upon net income in excess of \$5,000, but not in excess of \$6,000.

Two per cent. upon net income in excess of \$6,000, but not in excess of \$8,000.

Three per cent. upon net income in excess of \$8,000, but not in excess of \$10,000.

The rates rise progressively upon each additional block of income until a maximum rate of 65 per cent. is reached upon income in excess of \$1,000,000.

To illustrate the computation, take the case of a married man whose salary is \$10,000. Liberty-Loan interest received on Victory 4¾ per cent. bonds, \$100; dividends received, \$1,000; the taxpayer owns his own home, and paid during the year real-estate taxes, \$300, and interest on a mortgage, \$500.

Gross income is:

Salary	\$10,000.00
Interest on Liberty Loan, 4¾'s	100.00
Dividends	1,000.00
	<hr/>
	\$11,100.00

Deductions are:

Taxes	\$300.00
Interest	500.00
	<hr/>
Net Income	\$10,300.00

Net Income Brought Forward \$10,000.00

To arrive at income subject to normal tax, the credits are:

Personal exemption	\$2,000.00
Interest on Liberty Loan, 4¾'s	100.00
Dividends	1,000.00
	<hr/>
	3,100.00

The amount subject to normal tax is	\$7,200.00	Tax
The portion subject to 4 per cent. tax rate is the first	4,000.00	\$160.00

The remainder is subject to the 8 per cent. rate	\$3,200.00	256.00
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Total normal tax \$416.00

Surtax on net income of \$10,300:

Income in excess of \$5,000, but not in excess of \$6,000—\$1,000 at 1 per cent. surtax	10.00
Income in excess of \$6,000, but not in excess of \$8,000—\$2,000 at 2 per cent.	40.00
Income in excess of \$8,000, but not in excess of \$10,000—\$2,000 at 3 per cent.	60.00
Income in excess of \$10,000, but not in excess of \$12,000—\$300 at 4 per cent.	12.00

Total tax \$538.00

Personal Exemptions

The personal exemptions which are allowed against net income in computing normal tax are as follows: In the case of a single individual, or one not living with husband or wife, \$1,000; in the case of a married individual living with husband or wife, or the head of a family, \$2,500; but, if the net income exceeds \$5,000, the personal exemption for a married individual or head of a family is \$2,000 instead of \$2,500. In drafting this provision, Congress realized that its general terms would be unjust to a taxpayer having an income slightly in excess of \$5,000. For example, if the provision stated above were unmodified, a taxpayer with an income of \$5,000 would pay a normal tax of \$100, and a taxpayer with an income of \$5,001 would pay a normal tax of \$120.04. In other words, the additional \$1 of income would impose a burden of more than \$20 additional in taxes. To meet this situation, the law includes a reservation that in no case shall the reduction of the personal exemption from \$2,500 to \$2,000 increase the tax above what would be payable with the exemption of \$2,500 by more than the net income in excess of \$5,000. So, actually, under the law, instead of a taxpayer with an income of \$5,001 paying \$120.04, he would pay \$101. This last reservation is of no interest to any taxpayer whose net income amounts to over \$5,020.83.

In addition to the exemptions explained above, any taxpayer, whether single, married, or the head of a family, is allowed a personal exemption of \$400 for each dependent (other than husband or wife) under the age of eighteen, or, if over that age, physically or mentally incapable of self-support. This claim may be made only in respect

to dependents whose chief support is derived from the taxpayer, and, under such circumstances, is valid as to children, aged parents, and others toward whom a legal or moral duty exists.

Returns and Tax Payments

Income-tax returns must be filed by: (1) every individual having a net income of \$1,000 or more, if single or not living with husband or wife; (2) every individual having a net income of \$2,000 or more, if married and living with husband or wife; and (3) by every individual having a gross income of \$5,000 or more, regardless of the amount of the net income.

A husband and wife living together and having an aggregate net income of \$2,000 or over, or an aggregate gross income of \$5,000 or over, must file either a joint return or separate returns, accounting for the entire gross and net income. The taxpayers have the option of filing either separate returns or a joint return, and taxes will be computed on the returns as filed.

In every case where, under the above provisions, there is a duty to file returns, the filing is man-

datory, even though there is no tax payable because of exemptions or the absence of net income. Failure to file will be penalized, in such cases, without regard to the fact that a return would have disclosed no liability.

The requirement for a return in every case where gross income is equal to \$5,000, without reference to the amount of net income, is a new provision adopted in the Act of 1921, and is intended to aid in the audit work of the Treasury Department.

The return for 1921 must be filed on or before March 15, 1922. The taxpayer may pay the entire amount of the tax, but has a right, at his option, to pay the same in four quarterly instalments. If this option is exercised, the first instalment is payable when the return is due and must accompany the return; the remaining instalments are payable at three months' intervals, namely, June 15th, September 15th, and December 15th. No discount is allowed for the prepayment of any instalment. The present practice of the Treasury Department is to accept uncertified checks without discharging the tax liability until these checks are paid.

Biographical Sketches of Pace Students Who Have Made Good

Arthur J. Mannix, C.P.A. (Mass.)

TWENTY-SEVEN years old, a certified public accountant, and partner in an established accounting firm—this, in brief, tells the story of the professional achievements to date of Arthur J. Mannix, C.P.A. (Mass.). Mr. Mannix's photograph, taken while in the Naval service during the Great War, accompanies this brief biographical sketch of his career. Mr. Mannix was a student in the Pace Course in Accountancy and Business Administration at Pace Institute, Boston, only a few years ago. So rapid has been his advancement in his chosen profession, that to-day he is a partner in the firm of Litle, Schietinger & Goodwin, certified public accountants, with offices in Pittsburgh, New York, and Boston. At present Mr. Mannix is in charge of the Pittsburgh office of his firm.

Arthur J. Mannix was born March 8, 1894. After completing the usual public school and high-school courses, he entered Harvard University, in 1914. Later, he studied at George Washington University, Washington, D. C. In the fall of 1915, Mr. Mannix enrolled in Pace Institute, Boston, and was brilliantly successful as a student. In November, 1918, Mr. Mannix passed the Massachusetts C.P.A. examination and was awarded his professional degree. It was natural, then, that he should turn to public accounting work. He was successively associated with Price, Waterhouse & Company, certified public accountants, and Lewis Murphy

& Company, certified public accountants, in their Boston offices. Upon leaving Lewis Murphy & Company, Mr. Mannix spent one year in the Pittsburgh



office of Main & Company, certified public accountants.

During the war, Mr. Mannix served in the Navy as Lieutenant, junior grade. Because of his technical accounting training, he was detailed to special

Cost Inspection work. Mr. Mannix has always had a liking for teaching, and has been glad of the opportunity to impart to others some of his own technical knowledge. He served for a time as accounting instructor in the University of Pennsylvania, and for one year was a valued member of the lecture staff of Pace Institute, Boston.

Mr. Mannix has made good and has made good early in life, when success is particularly sweet. His achievements are seemingly only an indication of what the future holds in store for him in his chosen profession.

Day-school Inspection Trip

THE Pennsylvania Register, the daily publication of the Hotel Pennsylvania, of New York City, in its issue of December 2nd, says:

"Yesterday, seventy-one students from Pace Institute visited Hotel Pennsylvania, and they inspected it from the sign on the roof to the engine-room in the deepest of sub-basements. No nook or corner escaped, and they expressed themselves as delighted and awed with the inner workings of an enormous institution—a little city—like Hotel Pennsylvania."

These students of Pace Institute are members of the Day-school classes in Accountancy and Business Administration. The trip was taken under the direction of Lewis H. deBaun of the lecture staff of Pace Institute and was one of several trips included in the regular afternoon field work of the Day-school Division.

The Question and Answer Department

This Department does not publish answers to all of the questions received, but only those which are deemed to be of general interest to readers of The Pace Student. A communication, in order to receive attention, must contain the name and the address of the person asking the question.

WILL you kindly advise us as to the approved method of establishing a proper rate for depreciation on live stock (horses and mules). These animals are used for draught and saddle purposes by a turpentine and rosin manufacturing plant in the South. The company holds a lease on the timber-land for a period of eight years, at the end of which time the supply of turpentine will be exhausted and they will cease operations.

One important point which must be considered in establishing a rate is the fact that the company is continually trading some of the mules for others, and at other times, a mule or horse is sold for cash and another animal of another age will be purchased. The average number of animals owned is about twenty.

Would depreciation be worked out on the basis of the average age and number of animals, or would a different rate be used for each animal, depending on the period during which it will be used in this particular work?

Answer

A letter from Mr. E. W. McCullough, manager of the Fabricated Production Department of the Chamber of Commerce of the United States of America, relative to depreciation rates in the ice industry, and the reply of Mr. Homer S. Pace, as published on page 158 of the September, 1921, issue of *The Pace Student*, may be of interest to you.

You will note that in the ice industry, horses are depreciated at the rate of 15-10 per cent. per annum. An author upon the subject of cost accounting gives a list of depreciation rates for manufacturing concerns in which he shows the following:

"Transportation—Local:

Horses and Wagons.....12 per cent"

It may be possible for you to secure information as to depreciation rates from some of the bulletins on Farm Accounting which are supplied by the United States Department of Agriculture. We find no rates given, however, in the bulletins to which we have access at this time.

In your situation, it would seem that none of these rates would be applicable, nor would it be possible to settle definitely upon a rate for any period of time. The fact that your lease extends for a period of eight years would not, in our opinion, make any change in the charge to expense for depreciation of live stock. In a similar situation, we adopted the method outlined below in treating the subject of depreciation of live stock in the lumber industry:

An inventory was taken of all stock on hand at the beginning of the accounting period. Pur-

chases during the period were charged at cost. Sales were credited to the Live Stock Account at the inventory price if purchased before the beginning of the year, or at cost price if purchased during the year. The difference, representing a profit or loss, was carried into the operating accounts for the period. A memorandum record was kept of each animal, showing the inventory value at the beginning of the year or cost if purchased during the year. Entries were made in this record for animals traded, killed, or otherwise disposed of. At the end of the accounting period, another inventory was taken fixing the value of the live stock at their worth at the date of the inventory, but never at a higher value than cost. The difference between the balance shown in the Live Stock Account and the total of the inventory, as taken at the end of the period, represented the amount of depreciation on live stock for the period covered. This plan would seem to be the most feasible method in an industry where the useful life of live stock is limited, and where there are constant transactions of purchase, sale, and barter.

I WAS recently given charge of a set of books and, on looking through the accounts of the General Ledger, I was somewhat confused by certain entries which I found in several of the said accounts.

The firm is engaged in exporting all kinds of merchandise which it buys for its own account and sells immediately to customers, the goods being ordered of the manufacturers for specific customers. The customers refuse some merchandise, such merchandise being taken over by a branch of the firm located in Havana (most of the business is done in Cuba). Upon proper notification of such transactions, entries are made in an account called Stock Merchandise, this account showing the inventory of the Havana Office, and Purchases Account is credited. At the end of the year, the branch office remits a detailed list of its holdings which must tally with the amount as shown in the Stock Merchandise Account. In the event that the figure as shown by the Stock Merchandise Account is greater or smaller than that of the branch office (no foreign exchange being involved), what entry would be made to adjust the difference? Would there be a profit or loss involved?

Then, too, there is no inventory for the New York Office, except where merchandise taken over in Havana is transmitted to New York, and the inventory in Havana can not be considered as a true inventory of goods bought. How would an inventory be shown in a Profit and Loss State-

ment, both for the beginning of the period and the end of the period? Would the only profit or loss result from the difference between the purchase and sales accounts? How would the inventory be set up for the new period?

I also observed that the Sales Account was credited with probable losses on Stock Merchandise, Customers' Accounts, and Contingent Liabilities, and the same account charged with allowances and losses on Accounts Receivable. Should I let the account remain as it is, set up the proper reserves now, or merely close out the account at the end of the year by carrying the balance to Profit and Loss? What reserves would be set up, and how would they be closed out?

Answer

In accordance with the information submitted, the Stock Merchandise Account evidently represents the cost of goods which had been ordered from manufacturers for specific customers, which had been shipped to Cuba, which had been refused by the customers, and which had been left at the Havana Office or returned to New York.

It is assumed that Sales Account is credited and that customers are charged at the time the goods are shipped from New York. If the goods are refused, Returned Sales Account should be debited, and customers credited. The Stock Merchandise Account should then be charged, at cost, with the goods left at the Havana Office, and Purchases credited. When the goods are shipped from Havana to New York, entry should be passed charging New York Stock Account and crediting Havana Stock Account for the cost of the goods transferred. When goods are sold from stock, it would be preferable to credit a Sales from Stock Account. A new inventory would be set up by crediting the Stock Merchandise accounts with the closing inventory, and charging new Stock Merchandise accounts with a similar amount as opening inventory in the following period. The balances remaining in the old Stock Merchandise accounts would be closed into the Trading Account as cost of goods sold from stock.

If, however, a perpetual inventory is desired, and the cost of goods sold from stock is readily determinable, the Stock Merchandise Account should be credited with the cost of goods sold and a nominal account, such as Profit on Sales from Stock, debited or credited for the difference between cost and selling price. In theory, no difference should then exist between the value of the holdings at Havana or New York and the amount of the Stock Merchandise accounts. Actually, there would probably be a difference due to shrinkage, deterioration, loss in market value, or other causes, which would ordinarily be adjusted through the Gross Profit section of the Profit and Loss Account. After these adjustments, the new inventory would be represented by the balances in the Stock Merchandise accounts.

Reserves for probable losses on stock merchandise and customers' accounts, and for contingent liabilities should not be credited to the

Sales Account, but should be set up in distinct reserve accounts. Losses on Accounts Receivable should not be charged to the Sales Account, but to Profit and Loss or to a nominal account, such as Losses on Bad Debts. If a Reserve for Bad Debts is set up, the charge can, of course, be made to the reserve. Allowances may be charged against Sales Account, but it is preferable to show them in a separate account. If the Sales Account contains items as noted by you, the balance should not be charged to Profit and Loss at the end of the year, but each entry should be carefully analyzed and, if incorrect, adjustments should be made properly to state the transactions.

At the end of the accounting period, the Profit and Loss Statement might appear as follows:

Sales.....	\$xx	
Less: Returned Sales.....	xx	
Net Sales.....		\$xx
Purchases.....	\$xx	
Less: Transfers to Stock.....	xx	
Cost of Goods Sold.....		xx
Gross Profit on Sales....		\$xx
Sales of Stock Merchandise.....		\$xx
Less: Opening Inventory of Stock Merchandise.....	\$xx	
Transfers from Purchases....	xx	
		\$xx
Deduct: Closing Inventory Stock Merchandise.....	xx	
Cost of Merchandise Sold....		xx
Gross Profit on Sales of Stock Merchandise.....		xx
Total Gross Profit.....		\$xx

In the event that the Stock Merchandise Account is to be kept as a perpetual inventory, the second section of the above statement would merely show, as an addition to Gross Profit on Sales, the following item:

Profit on Sales of Stock Merchandise..... \$xx

Aside from the foregoing comments, and as a practical proposition, it would seem that the recording of the transactions could be more simply handled by the operation of ordinary inventory, purchases, sales, returned purchases, and returned sales accounts. In view of the fact that the only inventory carried from time to time is apparently that of the Havana Office, and possibly a little stock at the New York Office, a memorandum record, distinct from the general books, could be maintained to account for this inventory. This record would be written up from information contained in the Returned Sales Account, in the Sales Account, and in a record of the merchandise transferred from Havana to New York. As a result of these entries, this record would at all times reflect the inventory which should be on hand in Havana and in New York.

Some Salient Points in the Commercial Law of South America

By Francis M. Anderson, LL.B., of the Law Faculty, Pace Institute, Washington, D. C.

FRANCIS M. ANDERSON, of the Law Faculty of Pace Institute, Washington, has consented to contribute to *The Pace Student* a series of articles on "The Commercial Laws of South American Countries." In connection with his duties as one of the legal officers of the Department of State, Mr. Anderson has done extensive research work in Spanish-American and South American law. His articles will, therefore, be authoritative. The first of the series follows:—

[EDITOR]

In coming upon an unfamiliar subject, it is often assumed that its difficulties are in proportion to the lack of familiarity with which it is approached. There is often the feeling that the unknown is incomprehensible, and imagination adds difficulties which in reality do not exist. If, at the start, a familiar idea is encountered, or the subject is found to be similar to one already known to some extent, the feeling of helplessness is gone and the approach to the subject becomes so much easier. So it is with the law of Latin American countries, because there are points of similarity between it and the law of the United States.

When the South American states declared their independence and established their governments, they naturally turned to the United States as the leader in democratic government. They modeled their constitutions to a large extent upon the American Constitution, and, therefore, the development of South American constitutional law has a general similarity to the development of the constitutional law of this country. If one is possessed of a general acquaintance with American constitutional law, nearly half the battle of understanding Latin American law is won.

But though these countries turned to their predecessor in democratic government for the law establishing government, they clung tenaciously to that great body of the law of their mother countries which affected them closely in their daily life—in the family, in business, and in the enjoyment of property rights.

Constitutional Law Easily Understood

The constitutional law of the Latin American countries is, then, easily understood by one trained in American constitutional law, and more or less readily grasped by the American business man. But the great body of municipal law springs from sources within the civil law of Europe, sources which are not familiar to many American lawyers, and even less familiar to the majority of American business men. Yet, the knowledge of Latin American law is growing more necessary every day, with the coming expansion of American business in South America.

Ignorance of the law excuses no one. This basic

principle of our own law is also a basic principle of the civil law expressed by the Spanish phrase, "La ignorancia de las leyes no sirve de excusa." Therefore, the American business man in his dealings is not excused from the legal obligations to which he subjects himself through his lack of familiarity with South American law.

It is for this reason, that some points in Latin American commercial law would doubtless appeal to the student and the business man whose interest is quickened in the great field for American endeavor which is opened in the Spanish American countries of South America.

To the American who is more or less familiar with the general rules of the common law, with its ready adaptability to changing conditions, the concept of law declared through codes (to a greater or less extent rigid) has little appeal. Laying down rigid rules of law would seem so complicated an undertaking as to make it impossible to comprehend within its scope all the varied and multifarious questions which courts seek to decide. Yet, South American jurisprudence is based on codes, such as the Civil Code, the Commercial Code, the Codes of Civil and Commercial Procedure, and others.

Custom and Usage Lacking

Therefore, it appears that the great underlying foundation of custom and usage, together with the respect for precedent, which characterizes the common law, seems to be lacking to a greater or less extent in the theory of jurisprudence in Latin America; and though there is a great body of decisions handed down by the various supreme courts which acts as a guide to the interpretation of the law, it lacks the authority usually accorded to American and English decisions. The civil code of Argentine itself states that, "use, custom, or practice, can not create rights unless the law specifically refers to them"; and a noted writer on Argentine law states that, in civil matters, if it is not possible to settle them by reference to the letter or spirit of the law, the sources of other analogous laws must be examined without taking account of custom.

However, a ray of light appears under the Commercial Code, where the law is silent or no analogous laws will apply, for it is then incumbent on the judge to find in *custom* the basis for the decision of a question for which the law has failed to provide. Generally speaking, however, it may be said that if a law does not appear in the codes or statutes it is not law.

A divergence exists in the laws of the several countries in South America. It may be said, however, that the variance of laws between most of the South American countries is not much

greater than will appear between the laws of different states of the United States. In fact, instancing the case of Louisiana, there is, possibly, a greater difference between the law of that state and the other American states than between any two of the South American countries.

Argentine Law as a Basis

The country which looms largest in interest to the American people, at least commercially, is the Republic of Argentine. In these articles, therefore, the law of Argentine will be the general basis of the observations herein made.

The code which would first attract the greatest interest in this country from a business point of view is the Commercial Code. This code controls all the acts of the merchant in business, or other persons, so long as they are engaged in commercial acts. It contains provisions concerning all the varied business obligations of every-day life; the methods by which business must be conducted; the regulations governing certain distinct classes of merchants in reference to their rights and liabilities; the formation of business companies; and, published with the code and as an addition thereto, the law of bankruptcy. In a word, the general business life of a people is herein set forth, and practical rules are set down for their guidance in the lawful discharge of business obligations. But it must be understood that many of the principles of the rights and duties

with which these regulations deal are to be found in the civil code where provisions for general civil rights are made, as may be evidenced, for example, by the right to contract and the right to receive and hold property.

The Commercial Code, then, should be considered more as a set of regulations for the conduct of business than as a body of law granting civil rights. The actual granting of civil rights is accomplished by means of principles expressed in the several constitutions and the provisions set out in the various civil codes.

Requirements to Be Met

Turning back, then, from this explanatory digression, to the peculiarly commercial point of view, the questions as to how and in what manner the ordinary business actions are controlled by the law, and what are the requirements that a merchant must meet under the law, are of the most interest to any one who seeks to obtain a clear understanding of South American business procedure. Therefore, the requirements that the merchant must meet, the method of conducting his business, the laws of contract, sales, agency, business associations, and, possibly, procedure, will be touched upon in the succeeding articles with a view to obtaining a general idea of the provisions of civil law, as adopted by the Latin American countries in reference to the usual business situations.

Keep Abreast of the Times

TWO business men were at a lunch on the other day, which was largely attended by literary people. One of the men felt that he was pretty much out of place, because he knew so little of current literary and artistic matters, although in his younger days he had been an omnivorous reader of both current and standard works. His friend, he knew, was as busy as he, and had little time for current reading.

Imagine his surprise, when he heard his friend converse glibly of this or that new author and the relative merits of his work. He was meeting the literary folk on their own ground, and they were evidently valuing his opinions as resulting from first-hand information and mature judgment.

The first man felt chagrined, worried, and out of place. Going back on the subway, he said to his friend, "How on earth do you do it? I know you haven't any more time than I, and here you have been discussing everything from the latest Roosevelt Biography to the newest text-book on Economics, as though you had nothing else on your mind."

"Oh, it's not so extraordinary as it seems," said his friend. "I simply read one of the good Reviews each week. That keeps me up to date on what's going on in the literary world, and doesn't take much time. Then, too, every now and then, I run across a review of a book that deals with my own work. That alone repays me for the time I spend."

Here is a suggestion for those of us who have always wanted to keep fairly

abreast of the times in things literary—to know about present-day books—fiction, if you will, biography, travel, business, economics. Most of the large metropolitan papers publish a Literary Review each week, in conjunction with the regular edition for that day. Among the best-known Reviews in New York are those published by *The Times* and the *Evening Post*. *The Times' Review* is published on Sunday, and the *Evening Post's* on Saturday.

The Duty of Those Who Are Employed

A NEW angle of the unemployment problem is presented in the editorial below, taken from *The Kodak Magazine*, the monthly publication of the Eastman Kodak Company, Rochester, New York. The editor takes occasion in the last paragraph of his editorial to say to those employees of the Kodak Company who have not been laid off, "We must work harder and think harder; we owe this, not only to ourselves and the company, but to those of our associates who have been laid off, so that we may have them back again at the earliest moment." The entire editorial will be of interest:

"One of the factors in the growth of our company has been the fullness of understanding between the management and the employees.

"Our factories and offices are recognized as good places in which to work, and where the square deal is the rule.

"Announcements of wage reductions

and lay-offs on account of slackness of work are not pleasant, but under existing conditions both were inevitable, and we are glad to record that these announcements were received in the right spirit by those affected.

"Many problems difficult to solve still confront us—still confront business the world over—so that the process of going ahead, not getting back, to a sound and satisfactory basis will necessarily be slow.

"It is useless to prophesy as to just how and when the desired results will be obtained, but there is no call for a pessimistic thought as to the final outcome.

"Our business has been built up upon a quality basis, and our supremacy in the industry has been due to the fact that we produced the best goods and produced them first.

"Business conditions are bound to improve, perhaps sooner than is expected; meanwhile, let us all bear this in mind.

"Organization success must depend upon the concerted individual efforts of those who compose it. Therefore, it is up to us who are on the job to make our every effort count to the fullest measure.

"We must work harder and think harder; we owe this, not only to ourselves and the company, but to those of our associates who have been laid off, so that we may have them back again at the earliest moment."

Knowledge which is not employed will do you no good; moreover, like the muscles, it soon deteriorates.

The PACE STUDENT

A Magazine of service, interpreting the purpose, spirit, and needs of Modern Business

Published Monthly

Subscription Price, \$1.50 a Year, Payable in Advance

*PACE & PACE, Publishers
30 Church Street New York City*

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Bad Work Habits

FOR many years, the Barclay Street ferry took me to New York each morning. From the ferry station, I could choose four or five different ways of going to my office. The first morning that I arrived, an errand took me a particular way. The next morning, without giving the matter a great deal of thought, I took the same route. Before I realized what had happened, I was going the same way each day. The whole matter had become a habit.

Several months later, a friend, who had an office in the same building, met me as we were going out of the ferry house. "Why do you go way around that way to get to your office?" he said. "Oh, I never gave the matter much thought," I replied. "Just happened to go that way. Habit, I guess." He took me by the arm and said, "Come along with me."

He showed me a short street that I had often seen, but had never taken the time to explore. "We'll go through here," he said, "and save some time." I followed him, and, much to my surprise, when we reached our building, I found that I had saved five minutes. It wasn't much, but it was five minutes more with which to get a head start on the day. From that time on, as long as I traveled by ferry, I went through the short street.

It is easy to find parallels to this in the other affairs of life, and particularly in business. Largely for no good reason we do certain things in certain ways. We fall into habits of handling our correspondence a certain way. One executive once told me that he read each letter as it came to his desk, and, when he had formulated his reply, he called his stenographer and dictated his answer. He didn't handle many letters in the course of a day, so I don't suppose that he had ever figured out how much time he really was wasting. When I suggested that he might save time as well as get better results from his secretary, if he dictated all his replies at the same time, he said, "Yes, I suppose that's true. Somehow or other I've always done it this way, though." He promised

me, however, that he would follow my suggestion, and the next time I saw him, he said, "Say, that new scheme works fine. And my correspondence gets out in about two thirds of the time it used to take."

It isn't a bad idea once in a while to make a little analysis of our ways of doing things. We may find, just as both my friend and I found, that unconsciously we have fallen into bad work habits. We fail to realize that they are bad, just because they are habits, and they do not enter our conscious mind. A little time and forethought given to working out a sensible way of handling the minor details of a business day may save for us more time to devote to the big things.

Side-stepping Trouble

EVERY time you master a difficulty, you increase your resistance power. You have often heard it said that no person is truly good who has never known evil. Similarly, no person is truly strong who has never met and mastered trouble.

Try to avoid it as you will; sometime, it will meet you head on and defeat you, unless you are ready for it. And you can be ready for it only by having met it before and having tried to conquer it.

Trouble has a queer way of coming up in front of you when you least expect it. Don't run away. Face it squarely. Take full responsibility for the outcome. Drive ahead. Occasionally, you will retire defeated, but not always. When the big test comes, you will be ready; it will be nothing new. You have been through it before, and your experience has made you strong.

Successful Executives

AN executive, to be fully effective, must have an intensive knowledge of the details that he is supervising—the general of the army must know from personal experience the meaning of rifle drill, and the president of a steel corporation must know intimately the processes of making steel. Few men become strong executives under thirty years of age; and few men become successful executives after that age, unless they become thoroughly familiar with details during their younger years. Become a master of detail as a prerequisite for supervising the detail work of others.

Self Criticism

"HE is his own best critic." When they can say that of you, feel proud. For it's an accomplishment—one that many men never, in their whole lives, attain.

To judge honestly, and appraise our own work with the cool eye of impersonal criticism, is not easy. We are prone to go on deluding ourselves, hoping that folks will be charitable and approve, when, right down in our hearts, we know that the job is mediocre, and merits no approval.

Cultivate this habit of appraising your own

work; sit down and view it as a thing apart; and, if it doesn't pass muster, get at it, and bring it up to the mark. Your honest appraisal will not have to be made by some one else. It's better to tell yourself that the job will have to be done over again than to have your chief or your client greet you with that pleasant information.

No matter what it is—statement, investigation, report, letter, advertisement, or plan—criticize it yourself, first. If it's bad, correct it or work it out again. If it's good, feel proud, and don't mind what they say. While the particular child of your brain may not always receive official approval, you will know that you have done a good job. And this knowledge often carries conviction with it—conviction on the part of the other man.

What We Do Not Want

SOCRATES once said, "How much there is in the world that I do not want." What more fitting way to express the gospel of properly directed energy.

And what do we want—those of us who are in this great Game of Business, striving with might and main? Is it money? Is it power? Is it position? Is it fame? Right-thinking men and women—we probably seek a combination of all, with the added end in view, that what we do shall not be done with self eternally in mind, but shall be of some service to others.

Let us realize, then, the many things that we do not want, and let us not waste any of our precious time in seeking them. Of what value is it, for example, to spend time in idle gossip about our business associates, when we do not seek proficiency in that direction?

Words

WORDS! They are the tools that we use constantly, except when asleep; the tools that, if kept bright and polished by proper use, will cut through obstacles as a sharp saw cuts through a piece of wood; the tools that, if permitted to grow rusty and dull, will fail us dismally in our hour of need.

With words we hew our way through the maze of business and social relations. We make a speech. We apply for a position. We give directions to a subordinate, or make explanations to a superior. Let us give these tools every opportunity to do their work as they should. Let us keep our stock complete, and each unit in keen-edged condition.

Outward Appearances

HE has certainly gone to seed since I saw him last." Now, as it happened, the man who was the subject of this rather uncomplimentary remark had not gone to seed, either physically or financially, but he certainly looked as if he had. He was unshaven, his clothes needed

pressing, and he looked generally down at the heel. In casting about for some one to add to your staff, you would never have selected him. His appearance was all against him.

We can't be too careful. This remark, which summed up so succinctly this man's outer appearance, did not do him justice, but it was all the casual observer had to base his opinion on, and sometimes casual observations, incorrect though they may be, are of great weight in determining a future course of action in regard to an individual. We simply can not afford to let any one think that we have gone to seed.

South American Law

ELSEWHERE in this issue appears an article dealing with the commercial laws of South America. As Mr. Anderson, the author of the article, goes on to say, "Ignorance of the law excuses no one. This basic principle of our law is also the basic principle of the civil law (in South America), expressed by the Spanish phrase 'La ignorancia de las leyes no sirve de excusa.'" It is a fundamental principle of salesmanship that when you are attempting to sell goods to another man you must understand his needs and his particular methods of doing business—think his thoughts; study his problems. Naturally, you must be familiar with his laws as well. The business men of the United States will extend their business in South America to the extent that they adjust themselves to South American conditions, and become familiar with South American laws and business methods.

Daytime Cost Classes

A special Daytime class in Cost Accounting and Management—Semester D of the Pace Course—will be organized at Pace Institute, New York, on

January 23rd, at 9:30 a.m.

Class sessions will be held five mornings a week, from 9:30 to 11:30 o'clock—Semester D will be completed in nine weeks. Students who have completed the prescribed work of Semesters A, B, and C are eligible for admission. Registration should be made at the Students' Bureau.

Pace Institute

30 Church Street

New York

The Work of the Public Accountant

By L. K. Watkins, C.P.A.

PUBLIC accounting is not merely a tiresome round of verification of footings and of postings. While at times the work may appear monotonous, there is in the practice of every professional accountant such a variety of engagements as to stimulate in the mind of the junior or senior whose heart is in his work an ever increasing and never ending interest. He meets, it is true, periodic audits coming with regularity, month after month, quarter after quarter, for years—audits where the work of the bookkeeping staff is performed so carefully and so efficiently, and where the nature of the transactions varies so little, that examination after examination is made and only trivial errors found. He finds, in addition, semi-annual and annual audits carried on year after year for the same firms.

He is also occupied in occasional audits where single engagements may cover a period of three, four, five, ten, or even twenty years. Investigations are made for various purposes: to establish, as in a balance-sheet audit, the financial position of an organization at a specified date; to determine the earning-power of a business over a series of years, and, as far as can reasonably and conservatively be done, to forecast its possible earning-power; to ascertain the book value of stock of which it is desired to effect a sale; to determine the result in the present, and the probable effect in the future, of unusual partnership agreements of a complex nature.

Among the special examinations and investigations which offer themselves to the accountant in public practice, some of the most difficult are those which require the determination of partnership interests where partnership agreements have been carelessly or indefinitely drawn, or where there is no question as to the intent of the agreement, but where other conditions render the task an exacting one.

The heavy burden of taxation laid in recent years upon all lines of business, resulting from a war which entailed expenditure undreamed of in past years, complicates the work of the accountant, as he dare not forget the effect on taxes of business transactions, payment of salaries, or whatever affects the determination of profit.

Federal and state statutes, levying income taxes and other imposts upon earnings, not only affect the course of the audit itself, but also, in many cases, lay upon the accountant the responsibility of preparing returns for his clients, as well as of defending the figures of such returns when questioned by government officials.

Side by side with the work of the accountant as auditor, and, in many cases, as a direct result of his work as auditor, but requiring the exercise of

different faculties and of even more intense mental effort than the verification of accounts, must progress the designing and installation of accounting forms and records in which the financial history of business is to be recorded. Such work, ordinarily known as systematizing, becomes of a still more complex and arduous character when developed to the intricacy of detail often rendered necessary in securing proper determination of manufacturing costs.

In addition, it must be remembered that any audit, investigation, or system, may be concerned not only with any one of the fundamental types of organization—sole proprietorship, partnership, corporation, or syndicate—but also with any one of an innumerable host of business activities—manufacturing or trading. Trading itself may be on a retail or a wholesale basis, or it may be limited to the execution of sales through broker or commission man.

So the work of public accounting, while like all other real work—sometimes laborious and even monotonous, covers such a wide range and variety of effort that, viewed over a term of months or years, it will afford to its devotees frequent relief from any possible ennui.

In this article, it is proposed to deal with the work of the accountant, not as systematizer or as income-tax expert, but as auditor. What is said with regard to this class of work will largely cover the field of examinations and special investigations. Accounting activities naturally divide themselves into the work of the junior accountant and that of the senior, and, because, in the ordinary course of events the period of probation and development as junior precedes the more responsible work of the senior, our first consideration is of the principles and rules of action to be borne in mind by the junior who, after having been tested and proved, is to advance to the dignity of senior with possibly higher responsibility beyond.

I take for granted that before the junior enters on active work in the office of the accountant, he has qualified himself, so far as is possible, by a thorough study of the principles of accounting. The wider and the more thorough the extent of this study, the better will the junior be prepared to advance in his chosen profession. Practical acquaintance with bookkeeping, while not an absolute essential to success in the public-accounting field, is of great assistance therein. The man who enters the field of professional accounting as junior, equipped with the understanding that results from years of experience among the bookkeeper's tasks and problems, together with a well-grounded knowledge of the principles that underlie all accounting, will find his progress, with the same conscientious effort, to be smoother and more

rapid than that of the man who, lacking the bookkeeping experience, still possesses the same knowledge of accounting principles.

By what rules then shall the junior who comes from another field of effort into the actual work of his profession guide his footsteps?

Most important of all is the first. Let him pay strict heed to the general instructions which are given him, and to the specific directions on particular engagements, and follow these instructions as faithfully as he can. If certain things are required of him which seem unnecessary or unreasonable, let him, for the time at least, forget his questions and give his whole thought to doing his work as he is asked to do it.

The next rule to follow is, that he must give his unremitting attention to the work in hand. Let no unusual noise or circumstances within or without the place where he is engaged distract his faculties. At first, it may be difficult for him to keep his mind closely on his work while loud conversation, laughter, and noisy telephone messages surround him, but he can soon train himself to forget what is around him. This will not only make his work more satisfactory to his employer, but will develop in himself power of concentration which, wherever his path may lie, will be a big factor in bringing success.

Office Deportment

In intercourse with workers in offices where he is employed, he should, while being constantly courteous, avoid all familiarity. Let him be dignified and quiet, and, in whatever necessary intercourse arises between him and others, scrupulously avoid discussion and argument.

In fact, he should, during working hours, avoid all unnecessary conversation with those who are associated with him on the work, as well as with the employees of the office where he is engaged. Questions which arise and must be brought to the attention of the senior should be discussed in a low voice, to avoid disturbing others, and to insure that the conversation can not be understood by others.

Between himself and other juniors, and with the senior in charge, the junior should absolutely avoid anything savoring of argument. If, for any reason, the instructions of the senior seem inconsistent with previous instructions, he should discuss this matter when alone with the senior, so that no suggestion of uncertainty in the conduct of the audit may be passed to the client.

The work itself should be discussed with the senior and with associates as little as possible. There should be no conversations as to the amount of the profits earned, the amount or the probability of losses, or as to the wisdom or lack of wisdom of the management. Let the accountant's relation to his task be as impersonal as possible.

Above all, no hint of his work should be carried outside of the office. The trained accountant does not speak of his engagements to members of his family or to his best friends. All information

which comes to him in the course of his work is held as sacred as the secrets of the confessional.

When checking postings in connection with another junior or with a senior, the items should be stated plainly and distinctly, but in a low tone of voice. For this reason, it is well that two accountants so engaged should sit closely together, even when they are in a room separated from others. This work should always be done as quietly as possible, in order that a low clear voice may be cultivated, and that when such work is carried on in the presence of others, it be done with as little annoyance as possible to those around.

All unusual items discovered in the course of the audit should be carefully noted in writing, and brought as soon as convenient to the attention of the senior in charge. It is far better to note a dozen matters which finally prove of small moment than to pass by one item of real importance.

If any question arises in the junior's mind as to the method of conducting the audit, or if it seems to him after mature consideration that he is not on the right road, such matters should be submitted tactfully and quietly to the senior, whose judgment, when given, should be accepted as final.

The accountant in any position should be a persistent student, not only of the work directly in hand, but also of general accounting principles and procedure. In this profession, as in others, he who stands still will see the current of life sweep by him. We must be constantly progressing if we are not to fall back.

It would hardly seem necessary to add that all notes should be clearly and legibly made. In these days, when less attention is paid to the cultivation of penmanship than in earlier generations, it is not possible for every accountant to write a beautiful hand. It is, however, possible for every man, whatever his disadvantages or however poor a start he has made, to develop a hand that is neat and clear, so that both words and figures need never be mistaken.

As to clothing, it is not necessary that he should dress expensively, but it is important that his attire should always be neat and clean, without a suggestion either of show or of slovenliness.

Industry and Ambition Rewarded

The junior who works along the lines indicated, with patience, with judgment, with industry, with ambition, with intense application to the duties in hand, can not fail to find advancement. Let me warn him, however, not to expect this advancement too soon. If he develops himself along the right lines, increased responsibility and consequent increase of remuneration are sure to come. They are all the more certain, if he has had a period of thorough testing. The man who cultivates the qualities that belong to the successful accountant need not worry about his future.

As the junior advances, sometimes by steps which are almost imperceptible, into the duties of a senior, he accepts an added responsibility as

well as an added dignity, and it is highly important that this responsibility should be thoroughly realized. To the conscientious accountant in public practice, this responsibility grows heavier rather than lighter. He sees the many opportunities for error or for omission. He realizes how fully the confidence of his clients, or if he is in the employ of others, the confidence of his superiors, is placed upon him; and this heavy burden, resting at all times upon the mind of the accountant in whose employ both junior and senior accountants work, and whose signature on the report accepts full responsibility for all figures and statements therein contained, is assumed in great measure by the senior in charge, who should, in consequence, bring to his duties all the accounting knowledge and ability, all the care and thoroughness of which he is capable. A bookkeeper may perform his work in a perfunctory manner when tired from over indulgence in pleasure or in study, and may have opportunity to detect and rectify his errors at the end of the month. The public accountant, acting as auditor, dare not leave errors behind him. His work, when completed, is assumed to be as accurate as it is possible for human care and wisdom to make it. His statements are, in many cases of dispute, accepted as the final and absolute authority. This responsible relation of the accountant toward his clients, which relation also exists toward the public in general, should never be forgotten. Its realization tends constantly to better work.

This responsibility for the correctness of the completed work entails upon the senior the obligation of giving directions to those under him with absolute clearness and definiteness. Where these instructions are conveyed in writing, exceptional care as to precision and clearness should be taken. Where conveyed verbally, it is best that they should be repeated by the junior, or that some test should be made in order to determine that instructions are clearly understood. This will save time as well as friction in the conduct of the work.

Courtesy with Juniors

Courtesy and tact in dealing with juniors are important parts of the equipment of the senior. He must see that the work is accurately and thoroughly done, and that at the same time it is carried on with as much rapidity as thoroughness will permit. The senior carries a large part of the burden of the training of juniors. By care, patience, and constant attention, he can greatly increase the value of the work of the junior to his employer and to his employer's clients.

It follows from this that the senior should use frequent opportunities of working directly with his juniors, especially juniors new to the staff, on the checking of postings or on any work where two may well be occupied. When the circumstances of the audit indicate it as desirable, the senior should let no false pride prevent him from taking his share of the burdens connected with the detail work in a particular case. It will do him good, at times, to get back to hour after hour of

straight footing or day after day of checking. It will not only keep him fresh in the work and give him opportunity to detect things which might escape the junior, but will also give him an opportunity, which otherwise would be lacking, to train the junior in accuracy and rapidity of work.

With the senior, as with the junior, notations should be made of all matters of which he is doubtful, or which may well be brought to the attention of his chief. With the senior, as with the junior, it is highly important that he should realize how far he should go without advice and when he needs advice. By taking up with his chief problems of whose solution he is not absolutely certain, he will not only strengthen the confidence placed in him, but will also improve and strengthen his own judgment.

Preparation of Reports

Of the writing of reports and the preparation of the attending statements, much might be written. In fact, an entire issue of *The Pace Student* would be none too large to cover this ground. Some general guiding principles may well, however, be here stated. The preparation of statements is one of the most fascinating as well as one of the most important parts of the work of the accountant. Through these statements and the accompanying comment, the result of weeks and perhaps months of work is brought to the attention of the client. How important, therefore, that great care should be taken. Sometimes, the accountant is so crowded for time in the preparation of his report that this important matter is slighted. While every effort should be made to secure the submission of reports at the time agreed upon or positively specified by the client, it is better to postpone the date of presentation at the risk of annoyance and possible irritation than to present a report which is incomplete or perhaps inaccurate. Accuracy is the first essential of the report. The figures must be correct, and no time nor effort must be spared in order to secure this accuracy.

It must be remembered, however, that figures may be correct from a mathematical view-point, and yet be presented in such a manner as to produce a wrong or weak impression on the mind of the reader. The proper headings, the arrangement of the figures and the accompanying captions, the marshaling of columns, the choice between capitals and small letters, the use of rulings—proper choice of all these results in a report which is not only a satisfaction to the eye, but a clear message through the eye to the mind.

While stereotyped forms of reports for all sorts of business and under all conditions are a sign of weakness, it is better to adhere to established forms than to be too quick in making changes. In this, as in all other things, the accountant is conservative while progressive.

The wording of the report with which the statements are submitted is a matter of great moment. I would be careful here to avoid the frequent repetition of the same word or the same phrase, but I would still more carefully avoid

the use of overdrawn and inaccurate statements. While the expression of thought in pure, precise, and smoothly flowing English is a matter worthy of most intense and never ending study, the accountant must use constant care to insure that his sentences mean just what he intends them to mean and no more.

For this reason, I would go over each report as often as possible before it is presented. I would not dictate a report, if it were possible to avoid doing so, on the day in which it is to leave the office in finished form. Sometimes, words and sentences present themselves to us in the morning in a different aspect from that of the night before. It is also well that the wording of the report should be passed on by at least one individual other than the one who originally writes it.

Conciseness in expression and in the length

of the report should be constantly sought. It is sometimes necessary to write a report covering many pages, in order to cover the things that must be presented to the client. This is a busy age, however, and reports should not be encumbered with unnecessary repetitions of unimportant facts. It is better that a report should cover two pages, if these two pages include everything that is necessary, than that for the sake of appearances the report should be stretched out to two or three times that length. At the same time, we must remember that these reports are often given closer and more frequent study than we imagine. Error or carelessness in statements may come up, like Banquo's ghost, months or years later to confront us. Be concise, therefore, while stating with emphasis whatever must be stated and emphasized, and, above all, be absolutely accurate.

News of the National Federation of Pace Clubs

THE New York Club has obtained the use of a room at the Institute, 30 Church Street, as a beginning toward club-rooms. A library containing the best books and works of reference will be started as soon as possible. This will be a great help to the members. They will be able to get the latest and the best information without the expense of buying the books for themselves, or without going to a public library.

The basketball team played its first game on Saturday, November 26th, in the gymnasium of the Washington Irving High School, New York City, and won a great game, beating the strong team from the Continental Guaranty Company by a score of 53 to 17.

The Social Committee made such a success of the last dance on October 22nd, at the Waldorf-Astoria, that they have arranged to engage the Grand Ballroom of the same hotel for a dance on Saturday evening, February 18, 1922. The sale of tickets will be limited to 1,200 people, and, as tickets can not be sold at the door, it must be an exclusively advance-sale affair, as was the last dance at the Waldorf. Tickets will cost \$1.50, including tax and refreshments.

The Annual Banquet will take place on Saturday, April 15, 1922. Details as to price of tickets and hotel will be announced later.

THE new Club-rooms in the Pace Institute Building, Washington, D. C., set apart for the use of the Pace Students' Association of that city, were formally opened on the evening of November 23, 1921, with a social and dance for members only.

At the business meeting which preceded the social hour, the first Saturday of each month, at 8 p.m., was fixed for regular meetings of the Association, and there was proposed for future action that a Club pin and colors be adopted, and that the name be changed to the Washington Pace Club.

A prize for the best Club slogan was awarded to Miss Lillian McMahan, who proposed "Co-operation—Progress—Achievement," the initial letters of which are C. P. A. Short addresses were made by Dean Clark and Mr. Glenn Willett. Dancing continued until 11 o'clock. Refreshments were served.

The arrangements were in charge of President J. C. Bondurant and a committee composed of Miss Frances Burks, Mr. John Wood, and Mr. Jerome Kaufman. The Association is indebted to Mrs. Bondurant, wife of its President, for artistic, hand-painted posters announcing the event.

The Association is justly proud of its new rooms, and extends its expression of appreciation to Messrs. Pace & Pace for their generous assistance.

BALTIMORE Pace Accountancy Association, Baltimore, Maryland, is planning, for the ensuing year, a varied program of activities to promote the educational and social welfare of the organization.

During December, an extensive membership campaign was conducted in order to bring before those eligible for membership the purpose and work of the Association. By this campaign, the membership was appreciably increased.

At the recent annual meeting the following officers were elected:

R. E. North, chairman; E. C. Schlueter, president; H. A. Feldman, first vice-president; E. D. O. Davis, second vice-president; Aaron K. Lotzman, third vice-president; H. A. Schnepfe, treasurer; W. V. St. Clair, secretary.

THE Pace Club of Boston is starting out in fine style. It held its First Annual Banquet at the Copley-Plaza Hotel on Saturday evening, December 17, 1921. It was a great success and was attended by members of the Pace Club of New York. The Pace Club of New York congratulates the Pace Club of Boston on the success which it made of the First Annual Banquet.

Pace Institute, Newark

IN September, 1921, Pace Institute, Newark, established itself in its new quarters on the second floor of the Pace Institute Building, 24 William Street, Newark. Since the lease of the quarters was signed while the building was in the process of erection, it was possible to make several minor changes in the plans which added much to the utility of the space for school purposes. The location of the building is ideal for evening-school work. It is only a few minutes' walk from the junction of Broad and Market Streets, the business center of Newark, and it is within easy reach of both the Hudson & Manhattan Tube station and the Suburban Trolley Terminal.

The Institute occupies most of the second floor of the new building. One first enters a large office and reception

room, which also contains quarters for the cashier and the Students' Bureau. Beyond this main office are the classrooms, each one of which receives plenty of outside light and air. Two of the classrooms are fitted with screens and stereopticon machines for use in teaching the advanced Semesters of the Pace Course.

Students are attracted to Pace Institute, Newark, not alone from the city of Newark itself, but from the many adjacent cities and towns. Excellent transportation facilities make Newark a logical educational center for hundreds of ambitious men and women who would find it practically impossible to attend evening classes in New York.

During the present year, evening classes exclusively will be conducted at Pace Institute, Newark, although day-school classes will undoubtedly be organized in the fall of 1922.



PACE INSTITUTE BUILDING, NEWARK, N. J.

INGEL GUNDERSON, Class C1419, Pace Institute, New York, through the Pace Agency for Placements, Inc., recently accepted a position as accountant with the First National Corporation, 14 Wall Street, New York City. Mr. Gunderson was formerly with Pouch & Co., New York City.

PATTERSON, TEELE & DENNIS, accountants and auditors, announce the opening of a branch office at 1319 F Street, N. W., Washington, D. C. This office will be under the management of Frank Lowson, John W. Dawson, and Robert Kemp Slaughter, resident partners. Messrs. Lowson and Dawson were formerly Federal Tax counselors, with offices in Washington, D. C. Mr. Slaughter was formerly a member of the Committee on Appeals and Review, Bureau of Internal Revenue, Treasury Department, Washington.

RALPH E. BAKER, a former student of Pace Institute, Boston, recently resigned his position with the Brockton Rand Company, Montello, Mass., to accept a responsible executive position with Crooker & Morse, Inc., Bridgewater, Mass. A recent issue of the Brockton (Mass.) *Times* says of Mr. Baker's new connection:

"Ralph E. Baker, for some time with the Brockton Rand Company, is to be the supervisor of the business, and financial man for Crooker & Morse, Inc. He is well known in the shoe and leather trades."

WILLIAM MACLEOD, Pace Institute, New York, has secured, through the Pace Agency for Placements, Inc., a position as assistant bookkeeper with Cheramy Inc., 16 West 49th Street, New York City. Mr. MacLeod was formerly with Huth & Company.

WILLIAM A. WARD, a student in Class B1321, Pace Institute, New York, died suddenly on Monday evening, November 7th, of acute indigestion, at his home, 392 Palisade Avenue, West Hoboken, N. J. Mr. Ward was twenty-four years of age.

During the world war Mr. Ward served as a member of the 107th U. S. Infantry, 27th Division, A. E. F. He was graduated last June from Fordham University with the degree of B.A. He was commander of the Fordham Post of the American Legion, and a member of Carroll Council, No. 1373, Knights of Columbus. Surviving Mr. Ward are his parents, Mr. and Mrs. John V. Ward, and four brothers.

Mr. Ward made an excellent record as a student at Pace Institute. His sudden death came as a shock to his fellow-students and instructors who unite in offering their sympathy to the bereaved members of his family.

WILLIAM M. COURSEN, a former student at Pace Institute, New York, was among the successful candidates in the June, 1921, New York State C.P.A. examinations. Mr. Coursen was also successful in passing the New Jersey State examinations last May, and has been awarded his C.P.A. certificate in New Jersey. We rejoice with Mr. Coursen upon the double honor thus gained.

CHARLES E. KELLEY, a former student in Pace Institute, Extension Division, we regret to announce, died of typhoid fever in Mexico City, during the last week of October. Mr. Kelley, who had been employed by the Oliver American Trading Company, was a conscientious worker and student, and his many friends regret his untimely death.

HARRY C. MALL, a student at Pace Institute, New York, recently obtained a position as bookkeeper with Butler & Sargent, 139 Franklin Street, New York City. Mr. Mall was formerly with Doal & Erle, Inc., New York City. He obtained his new connection through the Pace Agency for Placements, Inc.

ROBERT P. STANLEY, a former student at Pace Institute, New York, has obtained, through the Pace Agency for Placements, Inc., a position as bookkeeper with Ciba Inc., 134 Cedar Street, New York City. Mr. Stanley was formerly with the Great Atlantic & Pacific Tea Company.

H. CLAY STEPHENS, who was graduated from Pace Institute, Washington, in July, 1921, has received notice that he was successful in the last certified public accountant examination given by the state of North Carolina. Mr. Stephens enrolled at Pace Institute, Washington, in September, 1919.

RICHARD VOGEL, Class C1419, Pace Institute, New York, recently accepted, through the Pace Agency for Placements, Inc., a position as junior clerk with the S. B. Warren Corporation, 25 Broadway, New York City.

Laboratory Methods in Business Education

SPECIAL lectures on leading industries and business organizations, together with trips of inspection to the offices and plants of these organizations, constitute a unique feature of the work of the Day-school Division of Pace Institute, New York.

This work is so planned as to coördinate closely with the regular course of study, by giving students first-hand information of typical industries and organizations through lectures illustrated by slides or motion pictures. These lectures are then followed by visits of inspection to the plants or offices discussed at the lectures.

Students coming to the Institute from college or high school, especially if they were not formerly residents of New York City, are enabled in a very short time, by this visual education, to focus their attention upon their studies with a greatly enlarged and clarified background of practical knowledge; and, at the same time, to make a start toward a saner and more intelligent vocational choice of their future occupation than would otherwise have been possible.

The success of this plan is largely due to the hearty and enthusiastic coöperation of the many organizations which are clustered so thickly within a thirty-mile radius of the Hudson Terminal Building, New York City. In fact, there is scarcely any type of industry or business which is not represented within this area, the representative in many cases being the largest plant or organization of its kind in the United States, if not the world.

As an illustration of what is being done in this connection, a schedule of one of the series of lectures and trips recently completed is given below:

CONVERSION

Mineral Products:

Lecture on: "Coal Mining and Coke Making," by L. H. deBaun.

Visit to: Seaboard By-Products Coke Co., Jersey City, N. J.

Lecture on: "Petroleum and Its Products," by L. H. deBaun.

Visit to: Tidewater Oil Co., Bayonne, N. J.

Metal Products:

Lecture on: "Measuring Foundry and Machine-Shop Production Costs," by G. P. Squires, office manager, Worthington Pump and Machinery Corporation, plant, Harrison, N. J.

Visit to: Above organization.

Food Products:

Lecture on: "The Story of a Grain of Wheat," by L. H. deBaun.

Visit to: Ward Bread Co., Brooklyn, N. Y.

Publishing:

Lecture on: "How a Book Is Made," by Floyd E. Wilder, manufacturing director, P. F. Collier & Son Co., New York City.

Visit to: Above organization.

DISTRIBUTION

Storage:

Lecture on: "Cold Storage as a Factor in the Distribution of Commodities," by L. H. deBaun.

Visit to: Merchants' Refrigerating Co., New York City.

FINANCING

Banking:

Lecture on: "The Federal Reserve Banking System," by H. M. Jefferson, personnel development director, Federal Reserve Bank of New York.

Visit to: Above organization.

PERSONAL SERVICE

Housing and Food:

Lecture on: "Keeping Track of the Guest," by L. H. deBaun.

Visit to: Pennsylvania Hotel, New York City.

NON-PROFIT ORGANIZATIONS

Governmental:

Lecture on: "The Municipal Organization of New York City," by James A. Donegan, registrar of New York County.

Visit to: Hall of Records, New York City.

Federal Reserve Bank

TWO exceedingly interesting and informative lectures on the Federal Reserve Banking system were given recently to the Day-school students at Pace Institute, New York, by H. M. Jefferson, personnel development director of the Federal Reserve Bank of New York.

With the aid of lantern slides, he demonstrated the scattered and diffused banking system of the country prior to the passage of the Federal Reserve Act, and the change wrought through the establishment of the Federal Reserve Board and the twelve Federal Reserve Banks with their branches.

He showed how the new system, basing its transactions on self-liquidating commercial paper, could swing the credit facilities of the entire organization to whatever region needed them without disturbing the normal current of business in other sections.

The organization and personnel of the Federal Reserve Board at Washington and of the individual Federal Reserve Banks were discussed, emphasizing the three-fold coördination of the Government, the local banking interests, and the business organizations of the community through the composition of their directorates.

Finally, he explained in detail the functions of each Federal Reserve Bank as to the services they rendered the community in connection with discounts, loans, deposits, note issues, etc.

In view of the wide-spread lack of understanding on the part of the general public as to the nature of the Federal Reserve system, Mr. Jefferson's lectures were timely and greatly appreciated by the student body.

An understanding of modern business principles and procedures—an understanding that can be effectively utilized in professional Accountancy practice (C.P.A.) or in private business—is acquired by the man or woman who studies at Pace Institute.

Pace Students study in either daytime or evening classes; they master Accounting, Law, Applied Economics, and Finance; they find their services in demand.

New January classes—day and evening—are now being organized at Pace Institute, New York, Boston, Washington, and Newark. Write for the Institute Bulletin and for a complimentary copy of "Making Good," a booklet which tells of men and women, trained in the Pace Course, who have made good in Business and in professional Accountancy practice.

Pace & Pace

NEW YORK, 30 Church Street

WASHINGTON
715 G Street, N. W.

BOSTON
Tremont Temple

NEWARK
24 William Street